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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

20 August 1981

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA : National Intelligence Officer for Warning

FROM : Hans Heymann, Jr.
Acting National Intelligence Officer for USSR-EE

SUBJECT : Monthly Warning Assessment: USSR-EE
(Meeting held on 18 August 1981)

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1. Poland

A. Key Judgment: There was general agreement that the large Soviet exercise is improving Soviet military capabilities. However, there are no current indications of a Soviet military intervention in the near future.

B. Economic Situation: The situation is deteriorating further with production and market supplies reaching new lows. The government has taken modest steps aimed at increasing the supplies of meat and bread. The recently announced Soviet aid package is most likely nothing new. The Poles are currently canvassing European capitals in an effort to raise the \$1.6 billion in hard currency needed for debt servicing and coverage of trade deficits through the end of the year. We estimate that the Poles will need an additional \$2 billion in 1981 for food and raw material imports.

C. Politics: The government and Solidarity have used the last month for positioning: the government by creating at least an appearance of toughness before the Polish-Soviet summit and Solidarity, which realizes the need for decreased rations and higher prices, by voicing counterdemands centered on workers' self-management. The other major actor, the Church, has rejoined the public dialogue by calling for moderation and compromise by both sides. Actual negotiations over the tough issues have not yet begun.

D. Relations with USSR: The communique issued some seven hours after the recent Soviet-Polish meeting suggests that there was disagreement between the two sides but that the Soviets realized that they have no immediate alternative to the Kania-Jaruzelski team. It was also considered likely that the Soviets will continue to look for, but not necessarily find, more acceptable Polish leaders.

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2. Southwest Asia

A. Pakistan-USSR: A SNIE on the subject has just been published. The forthcoming visit to Pakistan of Soviet Deputy Foreign Minister Firyubin is seen as part of the normal Soviet diplomatic process and does not foreshadow any change in Soviet policy.

B. Pakistan nuclear development/India/USSR: A SNIE on the subject is in preparation.

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[REDACTED]

[REDACTED] The Soviets will no doubt continue to fan Indian suspicions of Pakistan in order to keep Indo-Pakistani tensions high, but are probably not pushing for war. There is no community consensus as yet about how Pakistan would react in the unlikely event of an Indian attack against its reactor. The Soviets would not welcome such an attack but would probably concentrate their criticism on the US and Pakistan for upsetting the regional peace. [REDACTED]

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3. Middle East

A. Lebanon: The most interesting development is the Soviet-PLO dialogue. The Soviets are highly unlikely to give Arafat the sophisticated equipment he has requested (including FROGS) but will probably provide him some assistance. They will try, in return, to obtain his endorsement of the Soviet call for a new international conference on the Middle East.

B. Iran-Iraq: The Soviets probably see the ouster of Bani Sadra as decreasing the chances for the reemergence of a pro-Western Iran. They are providing military supplies to that country and extolling the advantages of economic ties with the USSR. Given an unpredictable outcome in Iran Moscow is conducting itself so as to be able to deal with whoever comes out on top. At the same time, it is not disregarding its relationship with Iraq.

C. Libya-USSR: The Soviets have some 1300 advisors in Libya and have sold that country some \$8 billion worth of military equipment, including MIG-25 aircraft, Hind helicopters and T-72 tanks. So far there is no evidence of direct Soviet-Libyan foreign policy collusion but the Soviets did conduct a port call by two frigates in July -- the first Soviet port call on that level. The Soviets will probably not react directly to the US Gulf of Sitra exercise, no matter what the Libyans do, but will probably use that occasion to exploit Qadhafi's fears of the US. It is possible that Libya will try to buy additional Soviet air defense equipment, a purchase which would bring more hard currency earnings to the Soviets and increase the number of Soviet advisors in Libya. [REDACTED]

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4. Soviet Military Role in Nicaragua

Moscow has kept a low profile, preferring to work through third countries. For instance, it has transshipped weapons through Cuba; it has also relied on Castro to assign some 1800 Cuban military and security advisors to Nicaragua and on Bulgaria to provide MIG-21 training in Bulgaria for some 70 Nicaraguan personnel in a three-year program begun in May 1980. Soviet direct actions have been limited to the delivery of old military equipment (MI-8 helicopters and AN-2 biplanes) and [REDACTED] to the posting of advisors to the Nicaraguan General Staff. By acting in this way Moscow has been able

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to i) keep Nicaragua satisfied, ii) maintain a low profile, and iii) feel out the US administration's responses to its various actions.

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cc: Chairman, NIC
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